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By J.W. NARA Date 9/30/97



DEPARTMENT OF STATE

ACTION MEMORANDUM

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April 12, 1974

To : The Secretary

From: S/P - Winston Lord *W.*
EA - Arthur W. Hummel, Jr. *AH*

Your Meeting with Teng Hsiao-ping and
Chiao Kuan-hua

I. Background:

This will be your first serious two-way conversation with the Chinese since your November trip. Since then, Ambassador Huang Chen has been back in Peking and your sessions with Han Hsu have been largely unilateral briefing meetings. This meeting comes at a particularly crucial time for a review and assessment of our relations with the People's Republic of China.

There have been conflicting signals in the past months reflecting the domestic turmoil going on in the Mainland. Our relations seem still to be basically on course. We have picked this up from third parties and, most concretely, in a recent dinner conversation that Chiao Kuan-hua had with Ambassador Bruce. In addition, Ambassador Huang Chen has now returned to Washington, Vice Premier Teng and Vice Minister Chiao have agreed to meet you (they may have extended their planned stay in New York to do so); and just in the last couple of days, the Chinese have agreed to move ahead on a few more of the exchange visits.

On the other hand, the internal upheaval in China has begun to impact on foreign affairs, including the US/PRC relationship, at least in terms of Peking's public posture. It is not clear, however, that there have been substantial policy changes. Attached at Tab A is a memo from Dick Solomon on these developments. Different interpretations are possible concerning the internal forces at work and where they will

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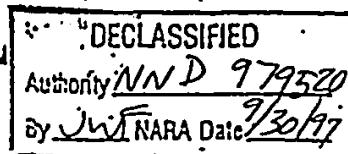
2

lead before they are through. There is no doubt that Chou En-lai is involved in the controversies, and is probably under some degree of pressure. It is too early to estimate how much of a real challenge is being made to Chou En-lai's policies, however, and therefore we do not know what the results will be in terms either of domestic political changes or of shifts in foreign policy. We hope, of course, that the objective factors in the US/PRC relationship will continue to incline the Chinese toward building a constructive relationship with us.

Chinese rhetoric has toughened, both in publications and in speeches by Chou and leading officials, and we are seeing more of the same at the UN General Assembly session (although the Soviet Union continues to get harsher treatment). Chinese officials, including Chiao Kuan-hua at his dinner meeting with Ambassador Bruce, have indicated to us both directly and indirectly that they are disturbed by the appointment of Ambassador Unger to Taiwan and the expansion of ROC Consulates in the U.S. There have been other sharpened references to the Taiwan issue in Chinese media. (In addition, we intend to build a new Embassy building on Taiwan, a fact which the Chinese may not have yet noticed but which will become public very soon).

Our bilateral exchange program presents a mixed picture and we continue to have problems with the PRC Foreign Ministry in getting visas for US officials to visit China on official business. There are also the problems of wheat smut and our ferrous scrap exports about which the PRC has expressed dissatisfaction. Finally, there are other international factors which might give ammunition to those in China who may wish to make changes in the US/China relationship. These include our own severe domestic problems and the implications for our capacity to act in a strong manner in foreign policy; our quarrels with our European allies; and the continuing negotiations we have carried on with the Soviet Union.

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3

II. Objectives:

Generally:

-- To sound out two of Chou's top lieutenants on the course of Chinese foreign policy to see whether they are still committed to improving relations with us, and to get some sense of the impact of the domestic turmoil on Chou's position and the foreign policy that he and Mao have been pursuing.

-- To reassure them of our intention to continue on the path we have chosen and to carry out the various undertakings we have stated to them.

-- To strengthen the position of Chou En-lai and the moderates by showing that the US/PRC relationship is based on firm mutual interests and resolute US intentions.

More specifically:

-- To reaffirm our pursuit of normalization of relations and related matters with respect to Taiwan. In this regard, you will want to get their view whether detailed discussion of the process in light of the November communique can wait until your next visit to Peking, while at the same time assuring them of our intentions and readiness to talk sooner if they wish. (Caution: we are not ready to talk yet, at least until we get guidance from you on our paper of January 29).

-- To review US/Soviet relations and prospects and to reaffirm our general strategic approach.

-- To reassure the Chinese about the basic solidarity of our relations with Western Europe and Japan and the reasons behind the present turbulence in these relationships.

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by JWF NARA Date 9/30/97

4

- To reaffirm our intention to propose to the PRC in a few weeks a means of abolishing the UN Command in Korea, while maintaining the necessary safeguards for the Armistice Agreement.
- To explain our Middle East strategy, both on negotiations and in our bilateral relations with countries like Egypt, Iran, and Saudi Arabia.
- To outline various moves we are making in South Asia.
- To lay the groundwork for speeding up our concrete bilateral relations such as in exchanges, the claims assets problem (and the related issue of MFN), visas, etc.
- To establish a relationship with a key figure in the Chinese hierarchy that you have not yet met, Vice Premier Teng Hsiao-ping. Teng is one of Chou's principal deputies, and a rumored possible premier, and he will be an important addition to the select circle that you have been dealing with. (See the attached analysis of Teng's political position from Dick Solomon, and a CIA biographic sketch at Tab B).

III. Issues and Talking Points:

A. Taiwan

Background

There is evidence that the Chinese are somewhat concerned by several recent developments related to Taiwan (an INR analysis is attached at Tab C).

In a recent conversation with Ambassador Bruce (Tab D), Ch'iao Kuan-hua said that US/PRC relations "had not deteriorated" despite minor problems. He then mentioned the appointment of Ambassador Unger to Taipei and the expansion of GRC consular facilities in the US.

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Authority NND 979520
By JWF NARA Date 9/30/97

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5

The Zambians have told us that during President Kaunda's February visit to the PRC, Chou En-lai said that he was pleased with your visits to China but that he doubted that real progress in relations with the U.S. could be made "as long as the U.S. is giving blood transfusions to Taiwan." Chou apparently also referred to U. S. reconnaissance flights in the Paracels area following the flare-up there. (In fact, the USG took explicit steps to insure that our reconnaissance activities did not get within 15 miles of the Paracels.)

Peking's statements this year on the anniversary of the February 28, 1947 uprising in Taiwan were somewhat more militant than last year.

PRC Liaison Office officials have expressed displeasure that the National Committee on US/China Relations, while engaged in the US/PRC exchange program, has occasionally carried items about Taiwan in its publications.

You have informed Han Hsu about the change in our time-table for withdrawing our F-4 squadrons from Taiwan (the first squadron in July, the second delayed until May 1975). In Peking in November you had described the whole withdrawal package (U-2's out in the summer, nuclear weapons out at about the same time, the first USAF squadron out in July, the second squadron in the second half of this year).

The GRC has 13 consulates in the US; including Guam and American Samoa; the last GRC announcement about opening two more was in December 1973. We have told the GRC that we will not agree to any more consulates.

Plans are proceeding for us to build a new chancery and new residence for the Ambassador in Taipei, to replace the present grossly inadequate structures. Construction may begin in FY 75, although news of our intention may come out shortly, through Congressional budget hearings. This is a long-planned and long-needed action, but the PRC may read some political significance into it when it comes to public notice in our FY 75 budget.

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Authority NND 979520
By JWF NARA Date 9/30/97

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6

Talking Points:

-- We have examined the implications of the new phrase you suggested in the November communique on the "principle of one China". We are prepared to discuss this, and to discuss ways to move toward a closer relationship. I think this could best be done directly with the Prime Minister during my next trip to Peking, but if you feel otherwise, I can begin discussions with Ambassador Huang Chen in Washington.

(Caution: Discussions with the PRC of interim steps must await further guidance from you, on the basis of the paper we gave you January 29).

-- As we indicated to Ambassador Han Hsu last month, we can confirm the basic schedule of the military withdrawals we have decided to make from Taiwan during the coming year. We have already informed the Taiwan authorities about all of these withdrawals, and there will soon be a public announcement about the return of the first USAF squadron.

-- Ambassador Bruce has reported that in a recent conversation, Vice Minister Ch'iao mentioned the appointment of Ambassador Unger to Taiwan and the opening of several additional Chinese consulates in the U.S.

-- Regarding Ambassador Unger, his appointment does not in any way indicate a lessening of our determination to complete the normalization of our relations with the PRC. Indeed, we think it is useful to have someone in Taipei who has the experience and enough confidence with local officials to handle the sensitive issues of the transition.

-- You will appreciate the value of counter-balancing the real substantive changes in our position on Taiwan, such as the withdrawal of our military presence, with atmospherics which will prevent a real panic on the island. This

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7

would not be in either of our interests as it could drive the leaders in Taipei to look elsewhere for their security. We learned in February, for example, that the Russians had invited an academic from Taiwan to Moscow and gave him a message to take to Chiang Ching-kuo to the effect that the Soviet Union would support Taiwan if it decided to become independent. We also learned that a Nationalist diplomat in Washington recently tried to get in touch with a Soviet U.N. official. These contacts have not yet gone very far, but we believe it is in our common interest not to drive Taiwan further in this direction.

-- Regarding the consulates, we have told the Taipei authorities that they will not be permitted to open any more consulates in the U.S., beyond those already approved. (I find that bureaucratic lag in the State Department is responsible for the approval given for additional consulates since my November trip to Peking).

-- We may be replacing our decrepit Embassy building and residence in Taipei by moving to new structures. These are long-planned and routine moves with no policy significance whatever.

B. Bilateral Issues (Tab E contains a paper on recent developments that we do not expect you to raise. It includes the status of the exchange programs, PRC difficulties in the issuance of visas for US officials, trade problems such as wheat smut and our restrictions on steel scrap, and our need to regularize travel regulations for PRC officials in the US). You should make two points of a general nature:

-- Reaffirm the basic policies of the United States toward China and our intention to continue to normalize relations.

-- Stress the bipartisan support and continuity of US policy no matter what Administration is in power.

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DECLASSIFIED
Authority NND 979520
By JWF NARA Date 9/30/97

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8

We recommend that you also raise one specific problem:

-- The Mansfield bill to give MFN to China.

Background on MFN Bill

Senator Mansfield announced on April 2 that he had introduced a bill which, if it becomes law, would grant MFN to the PRC immediately. Senator Mansfield later met with the President, whom he quoted as saying that he was in favor of MFN for China.

This bill, if passed, would be troublesome, since it takes account of neither the private claims/blocked assets problem nor of our standard procedure (specified in the Administration's Trade Reform Act) of negotiating for "comparable benefits". Early passage of the bill could also result in granting MFN to the PRC before there is legislative authority to grant MFN to the Soviet Union.

We are not aware of any PRC reaction, public or private, to Senator Mansfield's move. The Chinese may have mixed views. They probably welcome being in effect extricated from the Jackson-Vanick amendment and the prospect of getting MFN on a silver platter. On the other hand, they may view with concern the possibility that the bill will generate Congressional debate about "comparable benefits", PRC emigration policy, and the advisability of granting MFN to the PRC before giving it to the Soviet Union.

You have told the Chinese that we would not move forward on MFN for China without their prior agreement. You may therefore want to mention Senator Mansfield's move.

Talking Points

-- Senator Mansfield did not consult with us before introducing the legislation to give MFN to the PRC.

-- The bill creates some complications for us. It may also create some awkwardness for you, since it is likely to generate considerable debate in Congress.

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Authority NND 979520
By JWF NARA Date 9/30/97

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9

-- We will try to keep the matter from becoming troublesome, and will be in touch with you as necessary.

-- Of course, we still regard MFN for China as an important development for the expansion of our economic relations, and will exert efforts on this issue at the appropriate time.

Optional bilateral item for you to raise:

-- Arthur Hummel will shortly be discussing with PRCLC officers some bilateral subjects, including issuance of Chinese visas for US officials, and travel regulations for Chinese officials in the US.

C. Soviet Union

-- Give the Chinese a general review of US/Soviet relations and reaffirm that our basic strategy as outlined to Chairman Mao and Prime Minister Chou remains the same.

-- Give a brief rundown of the results of your recent visit to Moscow: SALT, MBFR, CSCE, possible bilateral agreements of a technical nature, the MFN issue, the Middle East.

-- Preview the likely timing and prospects for the President's trip to Moscow and the possibility of a new visit by you in May to prepare the way..

-- We will continue to keep the Chinese fully posted in our relations with the Soviet Union.

D. The Middle East

-- Review our overall strategy toward the region. We have been doing precisely what the Chinese have urged us to do in this area in order to counter Soviet influence.

-- Give a brief rundown of the negotiating process to date and the immediate prospects on the Syrian/Israeli disengagement.

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Authority NWD 979520
By JWF NARA Date 9/30/77

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10

-- Preview the longer term prospects for the negotiations.

-- As you indicated to Han Hsu, we will involve the Soviet Union cosmetically in the negotiations but the U.S. will retain the central position in these efforts.

-- Point out the erosion of Soviet influence in the area to date and the great improvement of our bilateral relations across the board with such countries as Egypt, Saudi Arabia, Iran, etc. Also, outline our efforts with more radical states like Algeria, Libya, the Persian Gulf, etc. (Attached at Tab F is a checklist of the various bilateral moves we are making in the Middle East and South Asia regions).

E. South Asia (Here too see Tab F)

-- Reaffirm our basic policy toward the sub-continent, including our assistance to Pakistan, and outline how we are working with third parties to help that country.

-- Outline the possible improvement in US/Indian relations to balance off Soviet influence. This includes possible resumption of economic assistance and a possible trip by you to New Delhi.

-- Explain the rationale for the Diego Garcia base and Indian Ocean presence. This is more feasible for us domestically than building a naval port in Pakistan which the Prime Minister mentioned.

-- Inquire about Chinese intentions now that relationships between Pakistan, India, and Bangladesh have improved, and the 195 prisoners will be given back to Pakistan.

-- Reaffirm that we will continue to keep the Chinese closely informed about our policies in this important region.

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Authority NND 979520
By JWF NARA Date 9/30/97TOP SECRET/SENSITIVE
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11

F. Europe

-- Explain why there has been some turbulence in our relations with our West European allies and why we have sought to dramatize some of the issues involved.

-- Sketch the immediate prospects for US/European relations in the wake of recent trans-Atlantic discussions and the new governments in Britain and France.

-- Emphasize the basic solidity and endurance of the alliance relationships. We are going through this period precisely to strengthen over the long haul US/European ties as a counter-balance to the Soviet Union.

-- Reiterate that we welcome better relations between the Europeans and the PRC.

-- Explore PRC intentions with regard to Europe.

G. Japan

-- Reaffirm the great importance we place in our relations with Tokyo. We will continue to heed the Chairman's and Prime Minister Chou's advice with respect to our bilateral relationship.

-- Japan is basically insecure, and we recognize the importance of maintaining our close relationship.

-- Point out that most of our bilateral issues (like trade and policies toward China) are now in good shape, and we should be in a position to continue to strengthen our bonds with Tokyo.

-- We continue to welcome the developing ties between Peking and Tokyo.

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DECLASSIFIED	
Authority NND 979520	
By JWF NARA Date 9/30/97	

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12

H. Korea Attached at Tab G is a memo on our position regarding termination of the U.N. Command from Dick Solomon. While we do not yet have a definitive ROK reaction to our proposal -- which Ambassador Habib presented to officials in Seoul last week -- we believe it is important that you give the Chinese an authoritative signal of our intention to make further progress on this issue. The talking points below represent the maximum that you could disclose to the Chinese of the details of our proposals to the ROK. There is, alternatively, a good case for not using all of these points, because the Chinese might raise objections to some points, or our discussions with the ROK might produce modifications in our present plans.

Talking Points:

-- The Chinese side was very helpful in handling the dissolution of UNCURK at the UNGA session last November in a constructive manner.

-- We told you last summer that we would consider alternative arrangements to the U.N. Command before next fall. We are willing to see the UNC terminated if alternative arrangements acceptable to both sides can be worked out which will maintain stability on the Korean Peninsula.

-- We are in the process of working out the details of a proposal with the ROK Government which Seoul will present to Pyongyang. Prior to this happening, we will consult with you on the details of the proposals via Ambassador Huang Chen or Huang Hua. We expect to be able to do so in a few weeks.

-- Once the two Koreas have reached a common position, the U.N. Security Council can ratify the new arrangement. We believe it will not be helpful to building confidence to have a public debate on this issue while the private negotiations are going on. Thus, we hope your North Korean friends will not precipitate a premature debate on this question in the U.N.

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DECLASSIFIED
Authority NND 979520
By JWF NARA Date 9/30/97

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13

-- Our basic position is that while the UNC can go, the structure of the present armistice agreement should be maintained as a transitional arrangement. We believe that both the PRC and U.S. should remain associated with the existing armistice arrangement, as it will stabilize the situation as the two Koreas work out a new relationship.

-- We are willing to commit ourselves publicly to the ultimate withdrawal of our forces from Korea in a Shanghai Communique-type statement, but we will carry out our withdrawal only as the security situation on the Peninsula is stabilized. We have not decided on the most appropriate format for such a public statement, but we assume this will become evident as the negotiations proceed.

-- We will commit ourselves to this position on the basis of a private understanding with you and North Korea that you accept the interim presence of our forces in the ROK as the transitional arrangements between North and South evolve and are stabilized. We assume you will probably continue to make public statements calling for the withdrawal of our forces.

-- We believe there should first be a non-aggression pact between Seoul and Pyongyang. We understand that the North Koreans are seeking a more extensive peace treaty involving basic political issues. We are not opposed to such an arrangement in principle, but believe that it should evolve on a step-by-step basis as confidence is built between the two sides.

-- We frankly don't think it is helpful to have the North Koreans making direct public appeals to our Congress for a treaty negotiated directly with the U.S. This only raises questions in the minds of our Korean friends about the North's intentions. We remain willing to talk with your Korean friends, but believe this should be done only on the basis of a reciprocal willingness on your part to talk with Seoul.

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14

I. Indochina

-- On Vietnam, stress that we continue to believe that it is in everyone's interest to keep this region quiet. A renewed flare-up of hostilities would not be in the interest of US/PRC relations. We have always urged restraint on South Vietnam and would hope that Hanoi's friends would do likewise with North Vietnam. Restraint on outside military assistance is essential.

-- On Laos, state that we support the new coalition government and the withdrawal of all outside troops (i.e., North Vietnamese and Chinese as well as Thai).

-- On Cambodia, our policy remains the same. We are willing to see a truly neutral government, with an appropriate role for Sihanouk, and we are not wedded to any particular persons or factions in the present government. We continue to favor negotiations between the Khmer factions, and we think the time may have come for the opening of such contacts. The Phnom Penh authorities have defeated the insurgent threats to the capital, and the dry season is nearly over. It is clear that neither side can prevail militarily, and a negotiated settlement would serve US and Chinese interests. Only the Soviets would gain from Hanoi's domination of the Indochina region.

J. United Nations (Attached at Tab H is a text and summary cable on Teng's speech at the UN. It was anti-superpower but much more critical of the Soviets than of the US. At the end, there was a curious reference to the Cultural Revolution and the "criticize Lin and Confucious" campaign, explaining that their purpose is to ensure the purity of socialism. We do not think you need to comment on the speech).

-- Preview the content of your speech to the UCM UNGA.

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DECLASSIFIED
Authority NND 979520
by JWF NARA Date 9/30/97

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15

K. A Reminder

You have not yet sent a letter to Lee Kwan Yew concerning overseas Chinese in Singapore, as you told Chou En-lai you would. (Attached at Tab I is the text of the proposed letter).

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